

Board of Directors

Finance Committee

April 17, 2019

Compliance Policies & Procedures



David Roy

NCTA Director of Finance

Policies & Procedures

Establish guidelines for presenting related financial reports and events to interested third parties

Guidelines for:

- Annual Reporting Requirements
- Event Notice Requirements
- Voluntary Disclosure Requirements
- Third Party/Quarterly Disclosure Requirements
- Website Disclosure
- Training

Toll Suspension Policy



David Roy

NCTA Director of Finance

Toll Suspension Policy

“The Board recognizes the need to suspend or waive the collection of tolls during certain situations. However, this responsibility must be balanced with its obligations to creditors who financed the toll roads and its duty as a State agency not to jeopardize the financial integrity of the State by failing to comply with financial covenants in its trust agreements.”

- The Executive Director will be responsible for implementing toll suspension or waiver activities
- Any toll suspension or waiver extending beyond 14 days would require concurrence of the Board

Suspension of Tolls

Declaration of a State of Emergency by Governor or
a Federal State of Emergency for North Carolina

AND

- Turnpike facility is designated as an emergency evacuation route by the Department

OR

- The primary non-tolled alternate routes, in the immediate vicinity of the turnpike facility, are deemed impassable or inaccessible, and/or traffic is diverted onto the turnpike facility by emergency responders

Suspension of Tolls

Toll collection will be reinstated as soon as the immediate need for use of the turnpike facility for evacuation, disaster response, or other approved non-emergency situation ends

- Reinstatement is at the discretion of NCTA Executive Director, after consultation with appropriate parties, including the State Emergency Operations Center (SEOC) and other emergency management agencies
- Considerations include: the extent of damage, availability of Department and NCTA staff, initiation of recovery efforts, accessibility of non-tolled alternate routes, and requests from governmental agencies

Waiver of Tolls

If traffic is directed onto the Turnpike facility by emergency responder personnel with no choice to take a non-tolled facility, tolls are waived:

- Automatically when the situation is observed via the cameras or when NCTA is notified of a situation

OR

- Within 30 days of the invoice date at the request of the customer (when not observed)

Toll Project Development Handbook Update



Mark Boggs, P.E.
Atkins Global

Gene Conti
The Conti Group

Briefing Topics

- NC Toll Policy
- Handbook Development
- Next Steps for Policy Implementation

Policy Development

Tasked by Secretary Trogdon, NCDOT committed to NCGA to develop a comprehensive policy regarding structured use of tolling.

Stakeholder Engagement

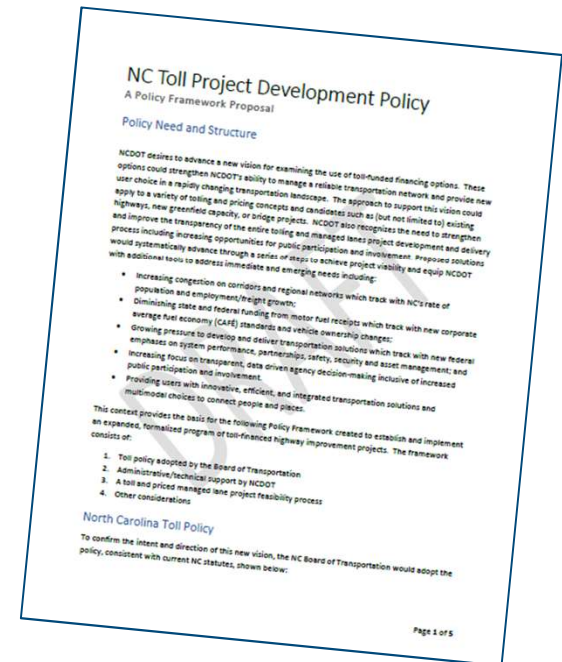
Study team actively engaged external stakeholders:

- MPOs
- RPOs
- League of Municipalities
- Metro Mayors
- State Chamber
- NC Trucking Association
- Major freight movers

Policy Framework

Responding to that directive, NCDOT with NCTA defined a Tolls Project Development framework that

- Defines a policy implementation process
- Proposes toll project development policy
- Directs NCDOT to develop an enhanced financial feasibility process
- Proposes 4-Step project identification process



Toll Project Development Policy

Tolling policy adopted by Board of Transportation in February 2018

- Defines eligible project types
- Directs close coordination with MPOs and RPOs
- Directs development of a defined tolled and priced managed lanes feasibility process

The policy **does not**:

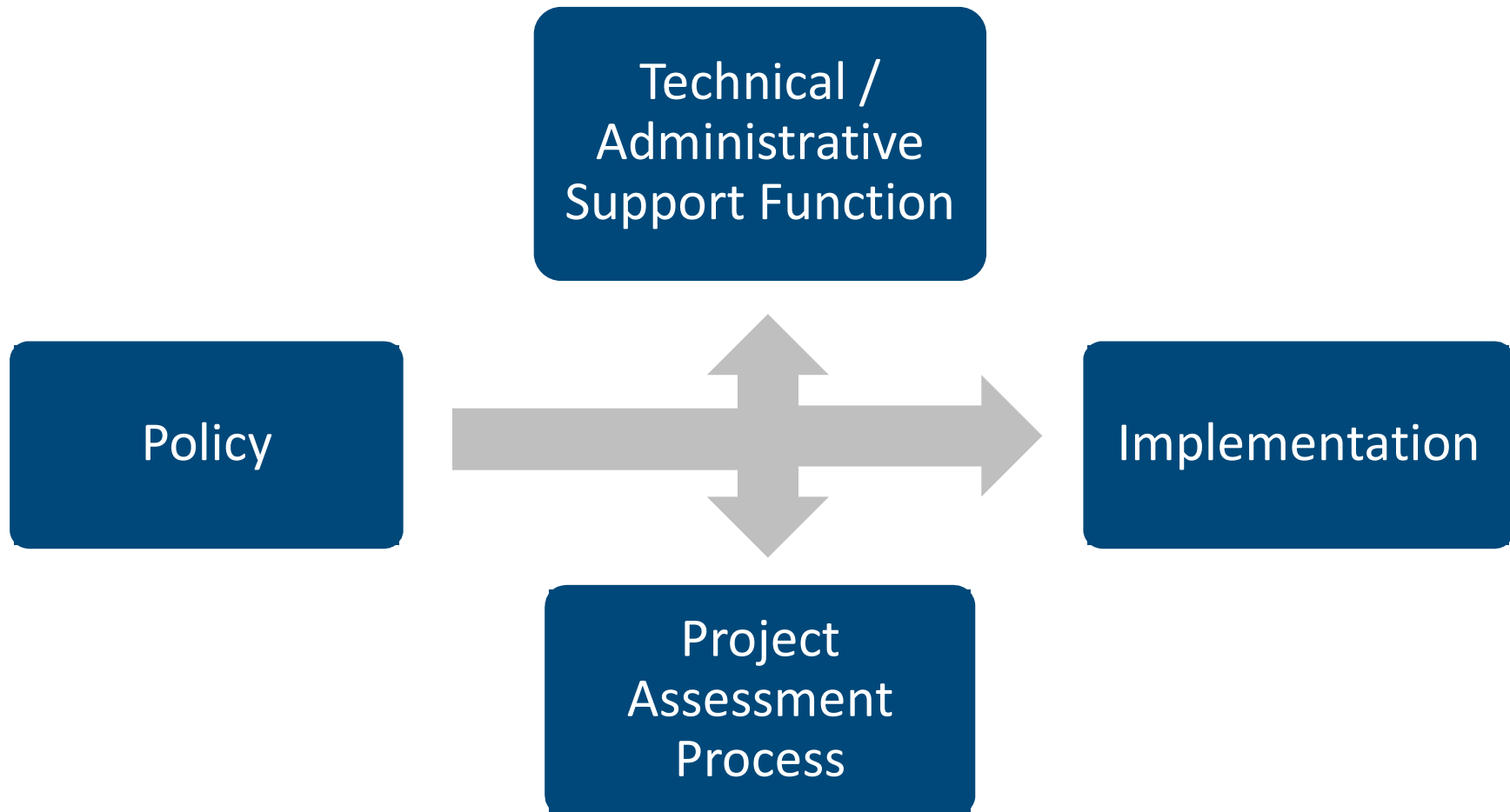
- Require or mandate increased tolling
- Allow NCDOT to identify specific projects to evaluate

Eligible Project Types

- Greenfield expressways or freeways
- Priced managed lanes (express lanes)
- Upgrades of existing partial-control roadways to full access control facilities
- New bridges or major bridge replacements



Toll Policy Implementation Framework



Policy Implementation

Through *Handbook* development and application, policy directives are being defined and procedures for toll project screening will be provided.

- Assessment structure, steps, timetable
- Financial feasibility and performance reporting
- Communication and documentation of results



Handbook Objectives

- **Create a defined process** to support local decision making when considering tolling and evaluation steps considerate of current STIP programming requirements.
- **Increase accountability** through more openness and transparency, particularly as NCDOT faces funding challenges posed by diminishing reliability of traditional funding sources for NC Highway Trust Fund.
- **Engage partners, develop protocols/procedures** to guide early identification and tolling potential.

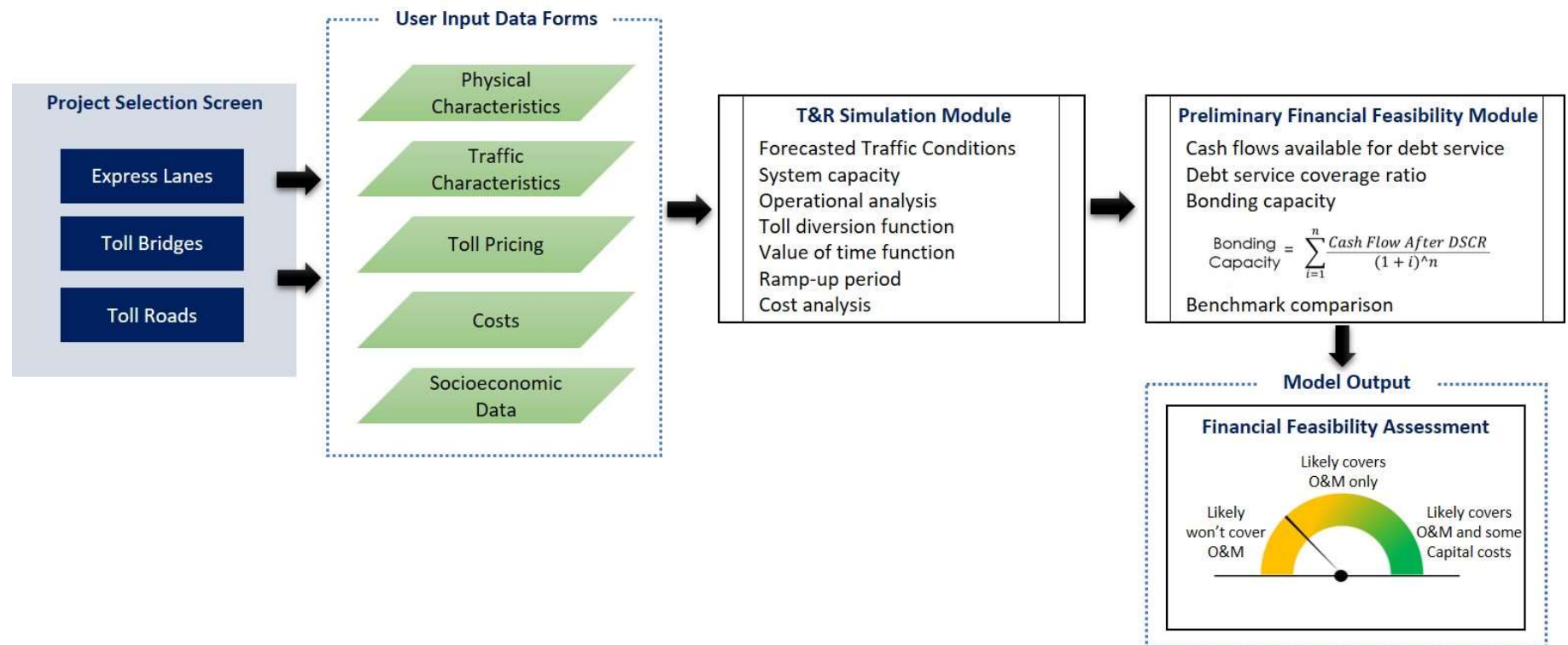
Handbook Development

- Internal NCDOT team (PMT)
- Work Group (advisory)
 - *MPOs/RPOs, League of Municipalities, Metro Mayors, Association of County Commissioners, FHWA, Agency staff*
- Multi-disciplinary consultant team developing Handbook content

Key Handbook Elements

1. Financial Feasibility Screening Tool
2. Pre-Submittal Assessment
3. Intra-Departmental Project Evaluation Team

Financial Feasibility Screening Tool Model Framework



Express Lanes

Clear Entries

Physical Characteristics

Project #

Corridor Name

Corridor Length (miles)

No. of GP lanes in both directions

No. of proposed express lanes in both directions

Traffic Characteristics

Existing AADT Suggested:

Year of Existing Traffic (AADT)

Opening Year AADT

Opening Year

Design Year AADT

Design Year

Average Annual Growth Rate (AADT)

Truck Percentage

Select Peak Period Characteristics

Intermediate Access Point?

Trip Length Percent (i.e., % thru trips)

Toll Pricing

Base ETC Toll Rate

Car toll (\$/mile)

Bill By Mail (BBM) Toll Rates

Car toll (\$/mile)

Annual Toll Rate Increase (%)

Indexation Base Year

Costs

Capital Cost Inputs

Construction Duration (in years)

Capital Improvement Cost (\$)

Indexation Base Year of Capital Improvement Costs

Toll System Implementation Cost (\$/lane-mile)

Indexation Base Year of Toll System Capital Cost

Operating Cost Inputs

Roadway Maintenance (\$/lane-mile)

Indexation Base Year Roadway Maintenance Cost

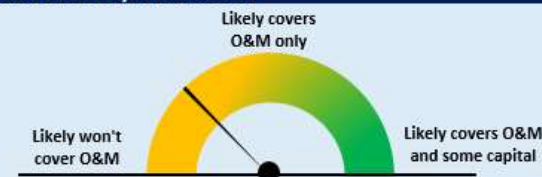
Annual Inflation rate for Costs (%)

Socioeconomic Data

County

Value of Time (\$/hr)

Preliminary Financial Feasibility Assessment



Financial Feasibility Module

- Dynamic Financial Assessment spectrum
 - Likely covers O&M and portion of Capital (i.e., presents positive financial flexibility)
 - Likely covers O&M only (i.e., potential financial flexibility)
 - Likely won't cover O&M (i.e., additional funding sources would likely be needed)

Flow of Funds

Gross Potential Toll Revenues (GPTR)

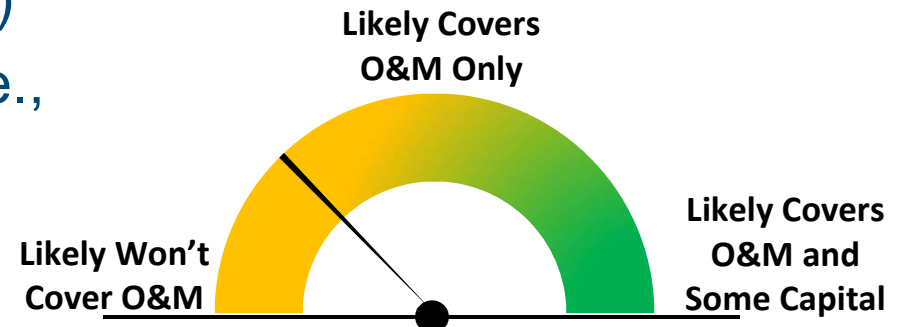
Less: O&M and R&R estimates

= Cash flow available for debt service (CFADS)

Multiply: % Revenue Cut

= Cash flow available after DSCR

$$\text{Bonding Capacity} = \sum_{i=1}^n \frac{\text{Cash Flow After DSCR}}{(1+i)^n}$$



Pre-Submittal Assessment (PSA)

Assessment Objectives

- Define performance based criteria tied to NCDOT Strategic Prioritization
- Incorporate into NC planning practice, specifically Comprehensive and Metropolitan Plan development
- Define PSA structure, steps, and schedule
- Identify NC Tolls Policy changes to operationalize Handbook

Pre-Submittal Assessment (PSA)

Performance Based Criteria tied to Strategic Prioritization

– Example: Congestion Relief

Volume-to-Capacity Ratio

- Calculated from Statewide Model or Congestion Management Team
- Compare V/C ratio with and without project

Transit Utilization

- Requested from Regional Transit Authorities
- Quantify expected number reduced single-occupancy vehicle trips

Travel Time Savings

- Calculated from Statewide Model or Congestion Management Team
- Requires value-of-time assumption

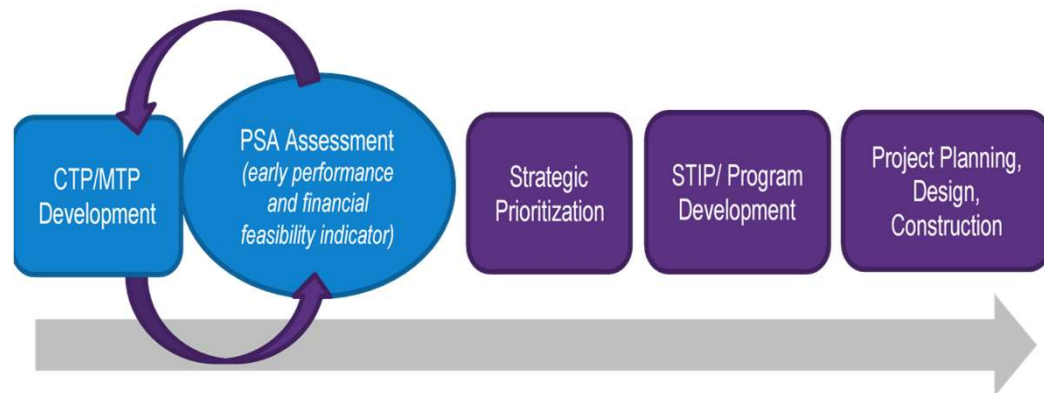
Travel Time Reliability

- Calculated from Statewide Model or Congestion Management Team
- Requires financial decision-making modeling

Pre-Submittal Assessment (PSA)

- Additional step in Comprehensive and Metropolitan Plan Development
- Include in early scoping and Plan “Set Up” meetings

- **Scoping**
meeting checklist
- **Sets expectations with**
local communities
- **Supports “fiscal realism”**
for RPO area plans
- **Prior to project**
submission for Strategic
Prioritization

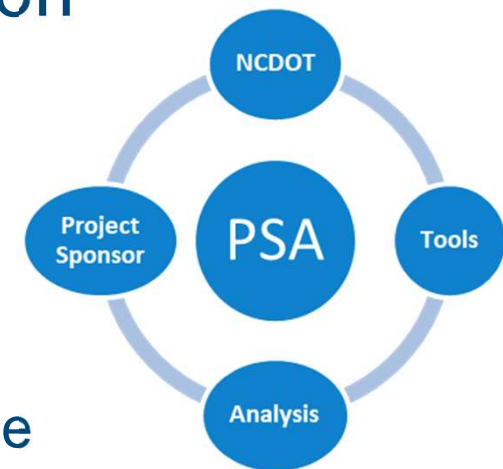


Implementation Framework

- Intra-Departmental Project Evaluation Team

- NCTA, SPOT, TPD, STIP, Technical Services

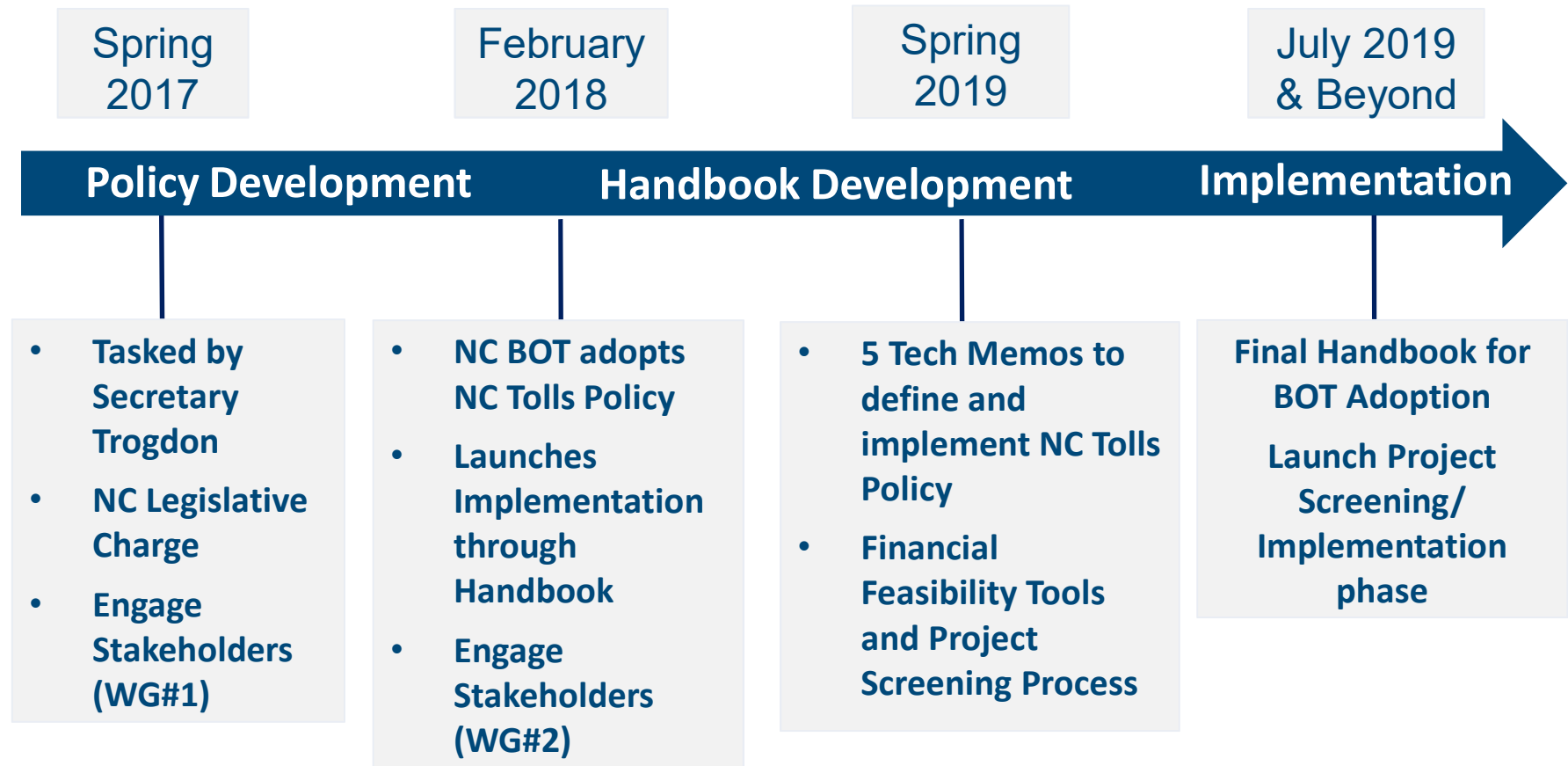
- NCTA leads evaluation team
 - NCDOT Division Engineers support role
 - PSA schedule; oversight / access of PSA tools



- Other Considerations

- Roll out, training, biennial updates tied to Strategic Prioritization cycles and industry changes

Policy Development & Implementation Timeline



Next Steps

March

- ✓ Expanded technical discussion & tool demonstration
- ✓ Finance Tool Application

April/May

- Complete Handbook content
- Consider needed Tolls Policy amendments or clarifications
- Refine Implementation Framework

June/July

- Present Draft Handbook to NC Board of Transportation (June)
- Finalize Handbook (July)

Complete 540 Design-Build Procurement Update

Amy Neidringhaus, P.E.

NCTA Contracts Engineer

Complete 540

R-2721A

- 4.3 mile new location
- ~190 parcels

R-2721B

- 4.9 mile new location
- ~210 parcels

R-2828

- 8.6 mile new location
- ~250 parcels



Current Project Schedule

Record of Decision	June 6, 2018
Submit Corridor Permit Application	September 2018
Advertisement for ROW Acquisition Firm(s) (R-2721A & R-2721B)	September 2018
Right of Way Plans for R-2721A & R-2721B	Fall 2018
401 Permit	February 15, 2019
404 Permit anticipated (phased for R-2828 & construction for R-2721A and R-2721B)	Early 2019
Design-Build Contract Letting	
R-2828	November 2018
R-2721B	February 2019
R-2721A	April 2019
R-2829	Future (2027)
Complete Project Finance	Summer 2019

Status & Next Steps

	R-2828	R-2721B	R-2721A
Advertisement	✓ April 16, 2018	✓ July 2, 2018	✓ September 4, 2018
SOQ Due Date	✓ May 11, 2018	✓ July 31, 2018	✓ October 2, 2018
Shortlist Date	✓ May 24, 2018	✓ August 14, 2018	✓ October 18, 2018
Issue 1 st Draft RFP	✓ May 24, 2018	✓ August 14, 2018	✓ October 18, 2018
Debrief Teams	✓ Week of June 4, 2018	✓ Week of August 27, 2018	✓ Week of October 29, 2018
1 st Meeting with Teams	✓ June 7, 2018	✓ August 28, 2018	✓ November 1, 2018
Issue 2 nd Draft RFP	✓ June 19, 2018	✓ August 31, 2018	✓ November 20, 2018
2 nd Meeting with Teams	✓ July 10, 2018	✓ September 25, 2018	✓ December 6, 2018
Issue 3 rd Draft RFP	✓ July 19, 2018	✓ October 9, 2018	✓ December 14, 2018
3 rd Meeting with Teams	✓ August 7, 2018	✓ October 23, 2018	✓ January 8, 2019

Status & Next Steps

	R-2828	R-2721B	R-2721A
Issue Final RFP	✓ August 14, 2018	✓ November 6, 2018	✓ January 22, 2019
Technical Proposals Due	✓ October 30, 2018	✓ January 29, 2019	✓ March 27, 2019
Price Proposals Due	✓ November 14, 2018	✓ February 8, 2019	✓ April 8, 2019
Open Price Proposals	✓ November 20, 2018	✓ February 19, 2019	✓ April 16, 2019
Award Contract	✓ November 30, 2018	✓ February 26, 2019	
Execute Contract	✓ December 17, 2018	✓ March 15, 2019	
Limited Notice to Proceed	✓ December 19, 2018	✓ March 18, 2019	

Design-Build Contractors

R-2828

- The Lane Construction Corporation / Blythe Construction, Inc. JV

R-2721B

- Flatiron Constructors, Inc. / Branch Civil, Inc. JV

R-2721A – Apparent Best Value Bidder

- Flatiron Constructors, Inc. / Branch Civil, Inc. JV

R-2721A Design-Build Contract

Price Proposal from Flatiron-Branch JV	\$183.50M
Plan of Finance Assumed Price	\$158.93M
Notice of Award and Limited Notice to Proceed	May 2019
Project Financial Closing	Summer 2019
Unlimited Notice to Proceed	Summer 2019
Substantial Completion Date	September 1, 2023
Final Completion Date	January 1, 2024
DBT Proposed Substantial Completion Date	October 21, 2022
DBT Proposed Project Completion Date	November 23, 2022

R-2721B Design-Build Contract

Price Proposal from Flatiron-Branch JV	\$159.98M
Plan of Finance Assumed Price	\$165.72M
Notice of Award and Limited Notice to Proceed	March 2019
Project Financial Closing	Summer 2019
Unlimited Notice to Proceed	Summer 2019
Substantial Completion Date	September 1, 2023
Final Completion Date	January 1, 2024
DBT Proposed Substantial Completion Date	August 29, 2022
DBT Proposed Project Completion Date	October 19, 2022

R-2828 Design-Build Contract

Price Proposal from Lane-Blythe JV	\$403.20M
Plan of Finance Assumed Price	\$426.60M
Notice of Award and Limited Notice to Proceed	December 2018
Project Financial Closing	Summer 2019
Unlimited Notice to Proceed	Summer 2019
Substantial Completion Date	September 1, 2023
Final Completion Date	January 1, 2024
DBT Proposed Substantial Completion Date	October 24, 2022
DBT Proposed Project Completion Date	November 24, 2022

Complete 540 Finance Update



David Roy

NCTA Director of Finance

Plan of Finance

Complete 540 Funding Sources:

- \$496 million TIFIA Loan for the Complete 540 project
- \$617 million Senior Lien Toll Revenue Bonds
- \$243 million NCDOT GARVEE Bonds
- \$81 million NCDOT GARVEE State Match
- \$81 million NCDOT National Highway Performance Program
 - Currently available per STIP but not anticipated to be needed

Financing Assumptions

Toll Revenue Bonds

- Interest Rate: AAA MMD (3/15/2019) + BBB Revenue Bond credit spreads + 75 bps cushion
- Common DSRF funded to 50% of the standard lesser of three test
- Gross pledge on parity with Series 2009 and Series 2017 Toll Revenue Bonds

TIFIA

- Interest Rate: 3.78% (TIFIA Rate as of 3/15/2019) + 75 bps cushion
- DSRF funded to 50% of the standard lesser of three test (same as senior lien bond requirement)

General Reserve

- Common with the existing Triangle Expressway
- Minimum Balance Target: \$50 million

Financial Covenants

Rate Covenant

- 1.30x Senior Lien Debt service
- 1.10x Senior, Subordinate and TIFIA debt service
- TIFIA Loan Life Coverage Ratio TBD

Additional Bonds Test

- Rate Covenant compliance
- Projected debt service coverage ratios of at least:
 - 1.40x Senior Lien debt service
 - 1.30x Senior, Subordinate and TIFIA debt service for the issuance of senior lien debt
 - 1.20x Senior, Subordinate and TIFIA debt service for the issuance of subordinate lien debt
 - TIFIA Loan Life Coverage Ratio TBD

Sources and Uses

Sources

TIFIA Loan / TIFIA BANS	495,803,743
Toll Revenue Bonds	616,992,895
General Reserve Contribution	19,166,118
NCDOT GARVEE / State Match	324,000,000

Total Sources	1,455,962,755
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Uses

Construction Cost	1,295,536,100
Debt Service Reserve Funds	29,300,698
Costs of Issuance / UW Discount	4,753,564
Capitalized Interest Cost	126,372,394

Total Uses	1,455,962,755
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Projected Coverage Ratios

Senior Lien Toll Revenue Bonds

- 1.65x Minimum
- 2.99x Average (through 2055)

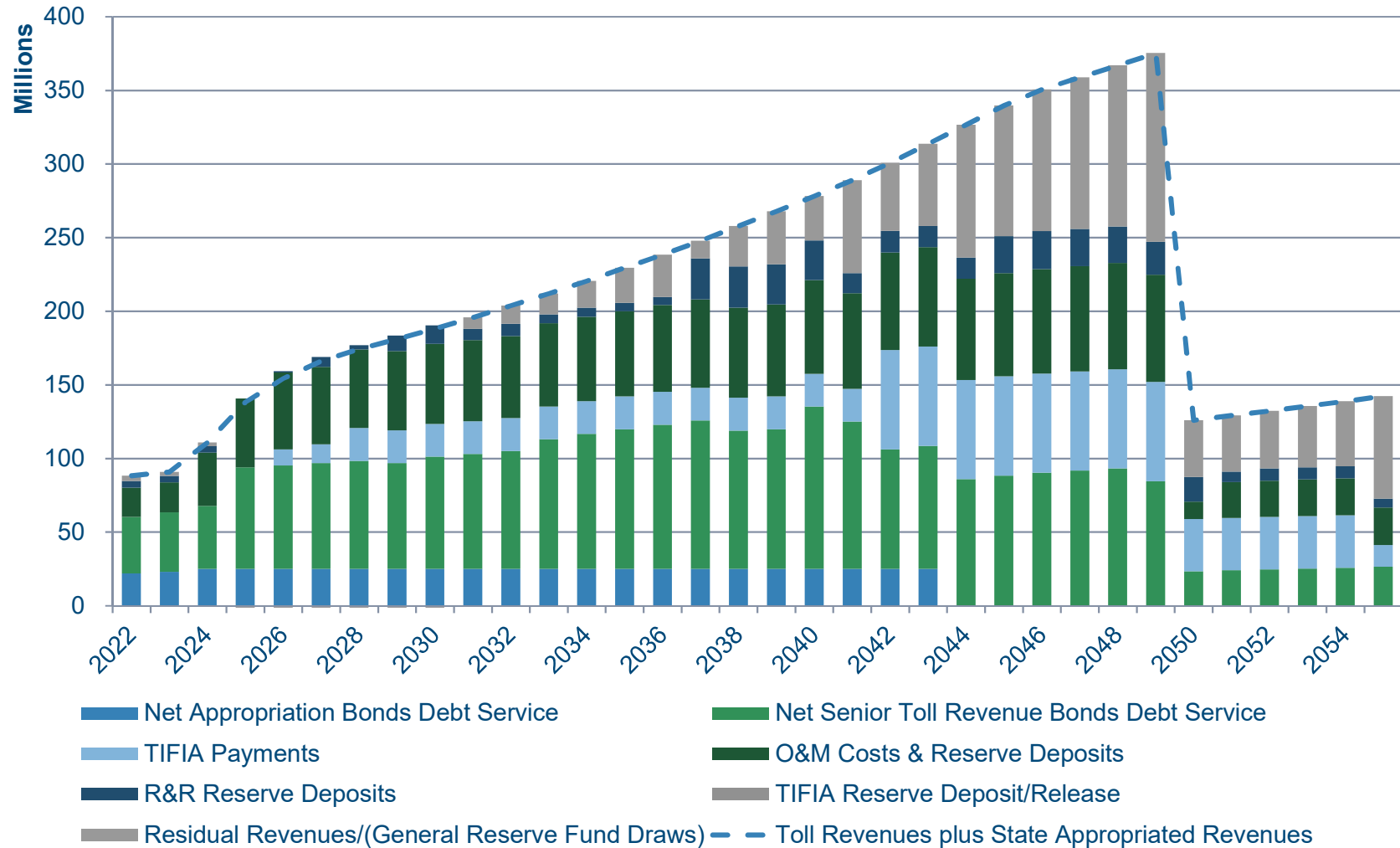
TIFIA Loan

- 1.56x Minimum
- 1.93x Average (through 2055)

All-in

- 0.86x Minimum (shortfalls paid from General Reserve or NCDOT guarantee)
- 1.18x Average (through 2055)

Projected Cash Flows



Tentative Schedule

Date	Event
February 2019	TIFIA Sponsor Presentation and Work Group
March 2019	Draft TIFIA Loan Agreement
April 2019	TIFIA Credit Review Team
May 2019	Submit TIFIA Application Solicit Final Credit Ratings
June 2019	Receive Final Credit Ratings TIFIA Council on Credit and Finance Bond Pricing
July 2019	TIFIA Loan Closing / Bond Closing

Thank You!

